

Chapter 3—

How do redevelopment agencies work?

What can a redevelopment agency do?

A redevelopment agency has unique powers. There are eight main tools that an agency can use to implement a redevelopment program:

- ◆ Receive and spend tax increment revenue;
- ◆ Help improve public infrastructure and facilities;
- ◆ Prepare sites for development;
- ◆ Assemble property, resell property it has assembled, and/or participate in the redevelopment of a property;
- ◆ Encourage private development;
- ◆ Regulate land use; and
- ◆ Preserve, rehabilitate and produce affordable housing for low- and moderate- income families.

The redevelopment plan must specifically describe the powers of the redevelopment agency. Each of these tools is briefly described below. The following chapters describe some of them in greater detail.

How can an agency receive and spend tax increment revenue?

An agency has the option to spend tax increment revenue within a designated area called the project area. If it exercises this option, the County Auditor-Controller determines the total assessed value of all of the properties within the project

area at the time the project area is adopted. (This value is sometimes called the frozen base.) For up to 45 years, or until its made whole, most of the property tax revenues generated from increases in the assessed value above the frozen base can be allocated to the redevelopment agency and invested within the project area. These revenues are called tax increment.

An agency can invest tax increment dollars within this project area for a variety of revitalization activities. In addition, an agency must invest tax increment dollars to preserve, rehabilitate and produce affordable housing throughout its community. (Chapter 7 provides additional information on tax increment financing.)

How can an agency help improve public infrastructure and facilities?

An agency can help improve public infrastructure and facilities that serve the project area including:

- ◆ Roads, intersection improvements and landscaping;
- ◆ Sewer, water and storm drainage systems;
- ◆ Public parking lots and garages; and
- ◆ Parks, library, and recreational facilities.

An agency can only assist facilities specifically authorized in its redevelopment plan.

How does an agency prepare sites for development?

An agency can assist private property owners or act on its own to prepare sites for redevelopment. If authorized in its redevelopment plan, an agency can:

- ◆ Demolish delapidated structures to prepare a site for redevelopment, subject to detailed procedures designed to protect residents and businesses from undue hardship due to relocation;
- ◆ Perform or help perform onsite work, such as the construction of a parking garage;
- ◆ Perform or help perform offsite work, such as the construction or upgrading of public infrastructure to serve the site; and
- ◆ Clean up a contaminated site.

The agency has limited powers related to the actual construction of buildings.

How does an agency assemble property?

The CRL is very specific as to how an agency may assemble and dispose of land. One way is through voluntary acquisition of private property or by the acquisition of property through eminent domain. The CRL is also very specific as to when local governing bodies can use eminent domain. Eminent domain may only be used for public benefit and the owner of the property must be justly compensated. For example, a city council may condemn private property in order to build a new park. However, a redevelopment agency has the unique ability to acquire private property in order to stimulate private redevelopment.

In order for the redevelopment agency to use this unique power, the redevelopment plan must specifically describe how and under what circumstances the power of eminent domain may be used. The power of eminent domain is only authorized

for the first 12 years of a plan, and the power of eminent domain must be renewed by the agency through a formal process if it is to be used after the first 12 years. As will be described in further detail below, the CRL provides strict protections and benefits for property owners subject to eminent domain. In addition, the CRL requires that agencies provide a means for private property owners to participate in the redevelopment of their properties. Chapter 8 provides additional information on property assembly and eminent domain.

A. Voluntary Acquisition or Negotiated Purchase

In most cases, redevelopment agencies assemble property through voluntary acquisition or negotiated purchase. In this case, the agency enters into a mutually acceptable arrangement with a property owner to purchase the land and/or make improvements for a specified price, usually the fair market value.

B. Eminent Domain

When the power of eminent domain is contained within the redevelopment plan, the agency may exercise its authority to acquire land and/or make improvements by eminent domain if all efforts to negotiate a purchase have failed. The agency is required by law to pay fair market value in such an action and the property owner is entitled to a jury trial on the issue of fair market value. When the agency uses the power of eminent domain, it is required to provide:

- ◆ Moving and other relocation assistance and benefits to qualified individuals, businesses, and non-profit organizations when they are required to move.
- ◆ The participation of property owners in the redevelopment of their property in the project area.
- ◆ Reasonable preference to persons who are engaged in business in the project area to re-enter into business within the project area.

- ◆ An equal number of replacement dwelling units for low- and moderate-income dwelling units destroyed or removed from the project area by the agency.

Chapter 8 provides additional information on property assembly and eminent domain.

How can an agency dispose of property it has assembled and/or participate in the redevelopment of a property?

An agency may assemble property and dispose of it and may enter into an agreement with a private developer or property owner to redevelop a property. Typically, an agency enters into one of the following types of agreements:

- ◆ Exclusive Negotiating Rights Agreement with a selected developer;
- ◆ Disposition and Development Agreement; and/or
- ◆ an Owner Participation Agreement.

These agreements are governed by State Law and specify how the agency and the private developer and/or property owner must participate in the property's redevelopment. They also describe the terms and time frame for property disposition.

How can an agency encourage private development in other ways?

The CRL authorizes a redevelopment agency to provide the following additional types of assistance:

- ◆ Commercial rehabilitation loans;
- ◆ Manufacturing facilities assistance;
- ◆ Seismic retrofit assistance;
- ◆ Hazardous materials remediation; and/or
- ◆ Graffiti removal.

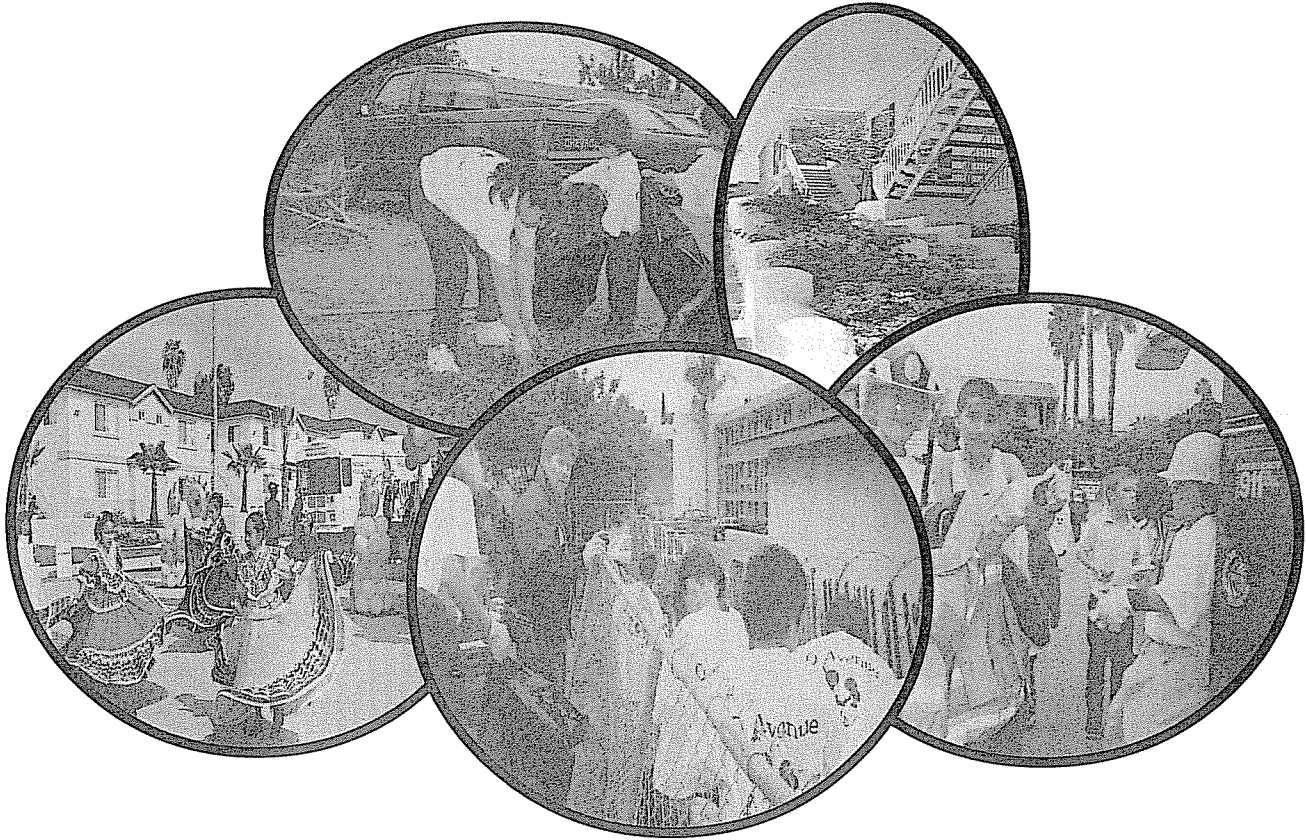
How can an agency regulate land use?

The redevelopment plan must describe how land uses will be controlled within the project area. However, most redevelopment plans simply state that the land use controls in the redevelopment plan are subject to the community's governing general plan or any relevant specific plan(s).

How can an agency preserve, rehabilitate and produce affordable housing?

An agency has unique powers to preserve, rehabilitate and produce affordable housing within its community. An agency is required to put 20 percent of the tax increment it receives into a special fund called the Low- and Moderate-Income Housing Fund. Monies in this fund may only be used to rehabilitate and produce affordable housing. These powers are described in greater detail in Chapters 7 and 8.

Paseo Del Sol—National City, California



The Q Avenue community learned to trust their local redevelopment practitioners after a very successful, and much needed, clean-up day.

Neighborhood Cleans Up the “Path to the Sun”

The National City Police Neighborhood Team once counted Q Avenue as the worst area in the city due to extensive gang violence, graffiti, drug activity, prostitution and violent crime. National City tax dollars were being drained from the more than 200 annual police calls being made to Q Avenue. Anxious to revitalize the area, the Community Development Commission (CDC) of National City teamed with Southern California Housing Development Corporation to rehabilitate the property and revitalize the community.

The first step was “Q Clean-Up Day” an event designed to physically clean up the neighborhood. Residents were offered free trash service; trash pick-up from parking lots and streets; dumping assistance; graffiti removal; and yard work. Local businesses sponsored free clean-up supplies, trash removal, t-shirts, and an event barbeque. More than 12 tons of debris were removed from the two-block cul-de-sac. And the 200 participating residents were both impressed and empowered.

The CDC of National City rehabilitated all the buildings to a new 30-year life. The 132-unit, \$12.5 million new community once plagued with vermin, leaks and mildew now boasts new roofs, paint, appliances, flooring, central heat and air, architectural treatments, stucco, increased parking and security gates.

A local church has also provided the project with volunteer tutor support for community programs and the police have increased their patrols of the area, thus discouraging crime and reducing calls from over 200 a year to virtually none.

Since then, the Q Avenue neighborhood has experienced a physical and spiritual rebirth. “Paseo Del Sol” (Path to the Sun) is now an affordable housing and crime-free community.